A2350-2

November 1991

Rep Firms Scramble As Ad Picture Darkens

Presstime

The Journal of the American Newspaper Publishers Association

POWERFUL FORCES CHANGE

Newsprint and Ink

The Economy, The Environment Shape Newspapers' Basic Materials

Bethesda, MD 20814

presstime

NOVEMBER 1991 VOLUME 13, NUMBER 11

20 Special Report Presstime's *second annual package on newsprint and ink tracks supplies, demand, price and quality of newspapers' two basic materials. For the moment, publishers are getting real bargains on those commodities. But some newsprint producers, buffeted by the recession and recycling, fear for their futures. When it comes to shopping for inks, newspapers have never had so many choices, as suppliers meet constant demands for new and better formulations.*

8 Rep firms regroup *Consolidation and diversification are the watchwords at companies that represent newspapers to national advertisers—and now others.*

14 Flexibility on the job *More newspaper companies are experimenting with a variety of ways to help employees meet family responsibilities.*

30 More than a paper bag *Storing old newspapers for recycling is fashionable—and can even be elegant—with the array of containers available.*

32 Game plan *Building circulation with bingo contests, word puzzles, and, now, audiotex contests is fairly common. Do players stay on after they're over?*

34 Profile: Charles Wilson *A numbers man by nature, this key Thomson executive has newsprint and ink buying as part of his job description.*

36 Essay: RBOCs on the march *James Lessersohn says newspapers must move quickly to blunt the Bells' advantages in database marketing.*

40 Who's on First? *A Supreme Court observer says justices have lost the passion of previous jurists—especially when it comes to the First Amendment.*

50 Data sharing *Two newspaper groups will cooperate with Sears to exchange purchase orders and other advertising information via computer networks.*

54 Assault on the Hill *Much of the action shifts to Congress as the regional Bell companies win court permission to be information providers.*

Advertising Rep Firms, p. 8

Special Report, p. 20
(Cover by Alberto Pacheco, Charlene Gridley.)

Family-Oriented Benefits, p. 14

Advertisers index	75
Advertising	46
ANPA calendar	72
ANPA news	74
Chairman's corner	5
Circulation	44
Education	48
Employee relations	62
Government affairs	40
Letters	75
Marketing	46
Minority affairs	48
News-editorial	42
Newspaper business	68
Newsprint	60
Overset	76
Readership	45
Research	74
'Shoe'	44
Speeches	72
Syndicates	42
Technology	50
Telecommunications	54
Training	67

presstime®

Presstime magazine (ISSN 0194-3243) is published monthly by the American Newspaper Publishers Association, 11600 Sunrise Valley Drive, Reston, Va. 22091. Basic subscription rate of $50 a year is included in members' dues. Non-member rate is $100 domestic, additional overseas. Second-class postage paid at Reston, Va., and additional mailing offices. Copyright 1991 by ANPA. All rights reserved. Unsolicited articles and photos should be sent to the presstime editor. POSTMASTER: Send address changes to presstime, ANPA, Box 17407 Dulles Airport, Washington, D.C. 20041.

BPA Presstime is a member of the Business Publications Audit of Circulation Inc.

Advertising Representatives

As newspapers' share of national ads declines to 5.3 percent,

BY WALT POTTER
presstime staff writer

In 1842, when Volney B. Palmer founded the first U.S. newspaper advertising representative firm in Philadelphia, most Americans never traveled more than a few miles from their birthplaces. The "rep firm" concept was seen as a way to attract national advertising into relatively isolated publications.

Today, when many people travel long distances just to get to their jobs, and when virtually everything needed for an ad can be transmitted instantly by computer, facsimile machine or satellite, it's not surprising that the representative companies have changed, too.

The most obvious change is that fewer fit the traditional definition of a newspaper rep firm: a group of salesmen that represent more than one newspaper to distant advertisers. Following decades of mergers, eight such companies—seven of them based in New York City—now represent about 90 percent of U.S. daily newspapers to national advertisers.

Most executives familiar with the business expect further consolidation. "There definitely will be more mergers," predicts Robert W. Keim, executive vice president of Landon Associates Inc.

Keim and other rep-firm executives say the mergers result from the relative shrinkage of national advertising in newspapers and from changes in the newspaper industry itself. Newspapers' share of all national advertising was 5.3 percent in 1990, a third of what it was four decades ago. (See chart, facing page.) At the same time, the newspaper industry has consolidated. There are fewer newspapers to represent (1,611 U.S. dailies as of the end of last year, down from 1,772 in 1950), and some of them—individually and as groups—now represent themselves to national and regional as well as local advertisers.

A second major trend among rep firms has been diversification. As the nature of advertising has changed, the reps have moved into new areas, such as pursuing ads other than national and offering advice on how to set up voice information services and other new technologies.

These changes have led to more complex relationships between the representatives and their newspaper clients—in how the firms serve newspapers and get paid.

Accordingly, which paper has a relationship with which rep firm has also been changing much more rapidly than in the past. "There's been a lot of switching going on" by newspapers trying to find the right company to represent them, says Thomas A. Reddy of White Plains, N.Y., a 40-year observer of the ad-rep business.

In addition, representative companies' traditional emphasis on providing service to their clients before and after sales has decreased as the firms have been forced to shift resources to getting the sales, says Reddy, an executive for The Sunflower Group, a specialized advertising broker based in Overland Park, Kan.

An assistant professor of advertising at Marquette University, John H. Crowley, says he believes the representatives have the resources to meet these multiple challenges.

Allan J. Lotty, Flying Camera Inc.

David B. Fisher (left), general manager of Maxwell AD/SAT, shows his company's equipment to Thomas J. Kelley, retail sales manager for Landon Associates.

The 'Big Eight' Among Newspapers' Ad-rep Firms

Firm	Papers Represented	Full-Time Employees	Offices
Branham Newspaper Sales	160	n/a	15
CWO&O	160	110	11
Gannett National Newspaper Sales	80	61	8
Landon Associates Inc.	600	124	22
Newhouse Newspapers Metro-Suburbia Inc.	28	50	6
Newspapers First	39	103	9
The Papert Cos.	300	52	11
Sawyer-Ferguson-Walker Inc.	47	140	12

Note: All are based in New York City except Papert, which has headquarters in Dallas.

Pour Resources Into Sales

outside reps try different strategies and offer new services

"I'm sure the rep firms are suffering, simply because media are suffering, but these companies have always been highly regarded for attracting real sharp people," says Crowley, who spent 30 years with ad agencies before turning to teaching.

In fact, the current tough times in advertising may actually provide an opportunity for the firms, says Beverly A. Klein, president of the International Newspaper Advertising and Marketing Executives.

"We're at a precipice right now," says Klein, senior vice president for marketing of The Milwaukee Journal and Milwaukee Sentinel. "So much depends on what happens with the new marketing association."

The proposed Newspaper Marketing Inc. will result from a merger of INAME, the Newspaper Advertising Bureau and five other organizations. (See story, p. 68.) "The association is key, because it will be more strongly sales-driven," she says. "Our strength will lie in delivering any and all newspapers."

Klein "agrees 100 percent" with the belief that the advent of NMI will give rep firms an opportunity to play an even more vital role in making newspapers an easier and better buy for national advertisers.

FEWER BUT LARGER FIRMS. As of its Sept. 12 issue, *Newspaper Rates & Data* listed 50 companies as representatives of newspapers to faraway advertisers. That's a sharp reduction from the 150 or so firms that existed several decades ago, according to Steven L. Seraita, executive vice president of Branham Newspaper Sales. The current list includes 13 state press associations as well as several firms that specialize by geographical location. American Publishers Representatives Ltd. of Toronto, for example, sells mainly to Canadian advertisers.

Such numbers "are kind of deceiving," however, because the shrinkage in the number of independent rep firms is exacerbated by the increase in the number of newspapers owned by groups, observes Sam W. Papert Jr., president of The Papert Cos. of Dallas. Two of the largest rep organizations are subsidiaries of newspaper groups: Newhouse Newspapers Metro-Suburbia Inc. and Gannett National Newspaper Sales, which serve those groups' member papers. Another large newspaper-owned rep firm is Newspapers First—a combination of rep firms organized by Knight-Ridder Inc. and The Times Mirror Co., plus a cooperative owned by several large independent newspapers.

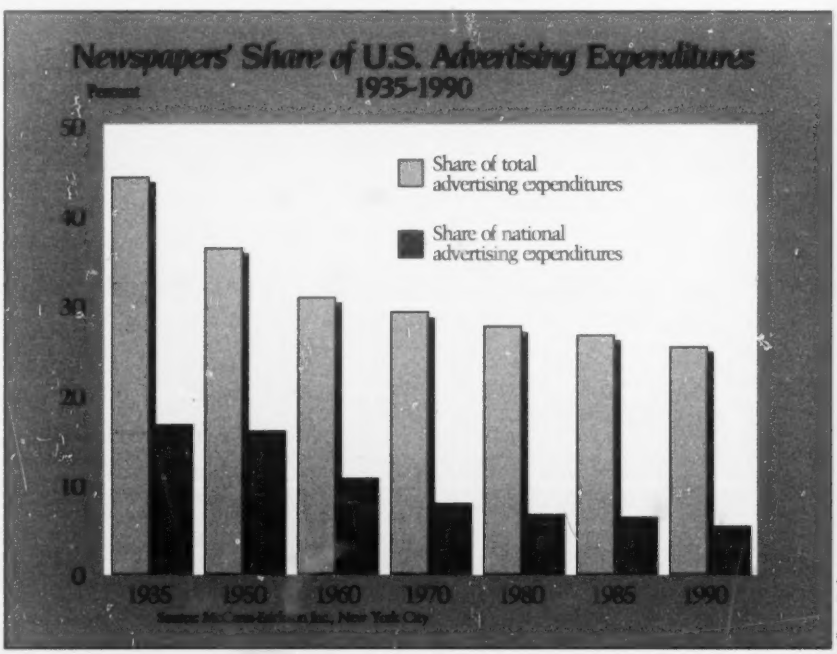
A few large newspapers represent themselves to national advertisers. The Washington Post has an office in New York City staffed by five salespeople and two assistants. At the same time, the Post retains an independent firm, Sawyer-Ferguson-Walker Inc. "It's to our advantage always to have as much representation as possible," explains Richard W. Tippett, the Post's national sales manager.

A handful of smaller papers are also representing themselves. The Greensboro (N.C.) News & Record dropped its rep firm in 1989. The Palm Beach Post of West Palm Beach, Fla., will end outside representation this month. Conversely, The Blade of Toledo—after years of self-representation—recently retained Branham.

Collectively, the moves toward consolidation and newspaper involvement in the field have led to the dominance by the three firms owned by newspaper companies and the five independents. (See list, facing page.) They have divvied up the business by specializing in different segments of the newspaper industry, according to circulation size.

Newspapers First primarily represents larger newspapers. It was formed last year by a merger of Knight-Ridder Newspaper Sales Inc. and Million Market Newspapers/Times Mirror National Marketing [presstime, June 1990, p. 110]. The result is a company with client newspapers in 16 of the top 30 U.S. markets and the potential to reach about 20 percent of the nation's adult newspaper readers, says G. Kingsley Anthony, president of Newspapers First.

The largest of the independents in terms of potential circulation reach is Sawyer-Ferguson-Walker, whose 47 clients primarily are papers with at least 50,000 circulation. "We represent about 23 percent of the daily readers in the U.S.," says Chairman Roy G. Blackfield.



Alberto Pacheco

Cresmer, Woodward, O'Mara & Ormsbee Inc., better known as CWO&O, strikes a middle course. With about 160 clients, it serves some larger papers but also has a regional department for smaller ones.

Also in the middle is Branham Newspaper Sales. "We (represent) about 160 newspapers, some large ones, some medium, some small," says Executive Vice President Seraita.

Nearly all of Landon's 600 clients are in small markets. Similarly, the Dallas-based Papert firm (the only member of the "Big Eight" with headquarters outside of New York City) represents 300 mostly small publications.

Which rep firms might merge next is a familiar topic of speculation. "A few years ago, someone took a pass at us, but nothing came of it," says company President Papert. "These things don't happen overnight."

NATIONAL SLIPPAGE. In absolute terms, national advertising in newspapers has actually grown over the years, as have all types of newspaper advertising. National advertisers' spending in newspapers rose from $148 million in 1935 to about $3.9 billion in 1990, according to McCann-Erickson Inc., a New York City ad agency. Of course, the growth is less when inflation is considered; the 1935 sales equal $1.4 billion in 1990 dollars.

However, as is true for other newspaper advertising categories, national's growth has slowed over the past few years and in recent months actually declined slightly.

Furthermore, over the years, national advertising in newspapers has not kept pace with other ad categories. National's share of all newspaper advertising declined from 19.4 percent in 1935 to 11.9 percent in 1990.

And as new forms of competition have entered the fray, newspapers have gotten a smaller piece of the all-media national advertising pie. It shrank from 16.6 percent in 1935 to 5.3 percent in 1990.

Newspapers' share of other types of advertising has also declined, but not as much.

One major factor that the ad reps say weakens newspapers' competitiveness is the differential between their national and retail rates. For years, papers generally have charged a much higher rate for national ads. In response, some national advertisers have tried various means to avoid paying the premium fees. For example, many automobile manufacturers often advertise through associations of local dealers, whose placements are charged at the lower retail rates.

"We caused 'national bypass,'" says Gerry F. Wilson, director of marketing for The San Diego Union and The Tribune.

Decades ago, Papert says, charging national advertisers a premium had a certain logic: "Camel cigarettes advertised in The Dallas Morning News could be bought anywhere the paper circulated, while the retail advertiser didn't have a lot of branch stores and his advertising was only good in the city zone." Therefore, the reasoning went, the national advertiser got more benefit from a newspaper's total circulation than the retailer did.

Now, says Papert, "You've got huge shopping centers and many, many stores of one name. Newspaper advertising is good wherever it goes."

Nonetheless, the gap between national and local newspaper advertising rates re-

Wishing You Weren't Here. If you're a publisher, the only way you want to visit the Supreme Court these days is as a tourist. Predictions vary, of course, but it's evident that a libel hearing before this newly-constituted Court is not going to be a day at the beach. But lest you think the odds are against you being here, know this: the number of libel cases in *any* court is on the rise. And more of them are getting to

P.O. BOX 1179, HAMILTON 5, BERMUDA, FAX (809) 295-7562. PLEASE SEND ALL MAIL VIA OVERSEAS AIRMAIL.

mains wide. The average differential reached a record 66.2 percent in 1987, according to a survey by the American Association of Advertising Agencies. That mark was far above the 37.9 percent spread recorded in 1933, the first year AAAA kept such records.

There's been some improvement of late. In 1989, the most recent year for which statistics are available, the differential was 62.2 percent—the lowest in five years. In announcing that figure, AAAA observed, "It is important to note that the differential varies greatly from paper to paper. The greatest differential is 254 percent. Conversely, many papers have no rate differential, and a few have national rates that are lower than their retail rates."

At the St. Petersburg Times, Advertising Director Alfred E. Corey Jr. says he favors lowering the differential. However, Corey expresses doubt that this action would lure more national ads unless "considerably bigger" papers did likewise. AAAA has found that the average differential climbs sharply as circulation increases.

Another inhibiting factor is that national advertisers have been shifting money from advertising budgets to promotion. The promotional expenditures, including in-store advertising and coupons, try to prompt consumers' purchasing decisions based on impulse and short-term price advantages.

> *"We don't even call ourselves a rep firm anymore."*
>
> **Robert W. Keim**
> **Landon Associates Inc.**

"The economy is being driven by short-range objectives," explains Professor Stanley I. Tannenbaum, chairman of the advertising/marketing communications sequence at Northwestern University's Medill School of Journalism. "The consequence is that more marketeers are putting money into sales promotion."

He continues, "Four or five years ago, 70 percent of advertisers' budgets were in advertising and 30 percent in promotion. Today, those percentages are reversed."

DIVERSIFICATION. Newspaper representative firms first responded to such market changes by creating departments to pursue advertising besides national. As some national advertisers moved spending into retail, the rep companies developed retail operations to solicit those dollars.

Branham has maintained a retail department for 25 years, says Seraita, adding, "We now have a computerized databank that can provide our customers with information on 1,800 retailers."

Ironically, those retail departments set up to pursue national advertisers in local disguise have also helped newspapers chase retail companies that now have a more regional or national orientation. Thanks to computerized communication systems and other advancements, many retail chains' headquarters now make advertising decisions once left to local managers. "The process is similar to national advertisers' decision making," observes Anthony of Newspapers First.

the jury, too. Yes, it's tempting to cut costs on everything. But this is no time to cut corners on your libel insurance. For 25 years, Mutual Insurance has been helping ANPA members publish not perish. Our phone number is (809) 292-7633. This is perhaps a supremely appropriate time to call.

Protecting Your Pursuit Of The Truth.

The Mutual Insurance Company of Hamilton, Bermuda

For similar reasons, rep firms have developed classified departments to call on the increasing number of companies that recruit employees nationally.

Co-op departments have been another common addition, as the reps follow the national advertising dollars spent on promotion. Branham, for instance, has an exclusive license with the Advertising Checking Bureau, the cooperative advertising consulting and research firm based in New York City. The rep firm hopes the arrangement will provide its clients with an inside track on co-op advertising opportunities.

Rep firms are also developing services to help newspapers compete with other media. Newspapers First has been working for nearly a year on a computerized billing and ordering service designed to simplify national newspaper buys. "It's hardly news to anybody that most national advertisers find newspapers difficult to deal with," says Anthony. "There has to be a unified approach to selling our fractionalized medium."

Rep firm executives and their clients say the drive to meet advertiser needs probably is most realized in the formation of networks [presstime, Jan. 1991, p. 22]. "If there's a trend in rep firms, that's it," says Henry K. (Buzz) Wurzer, marketing development manager for The Hearst Corp. Newspapers Division.

Landon, which leads the networking boom with 106 groupings that involve 420 newspapers, developed "an operating strategy" of diversification 15 years ago, says Executive Vice President Keim. The company subsequently formed retail, co-op and recruitment advertising divisions, and started circulation and classified consulting services.

In May, Landon began advising newspapers on voice information services, and it plans to do so on alternate delivery and database marketing. "Our view has been to provide middle market newspapers with the same resources as newspapers owned by a major chain," Keim says.

And, as of Sept. 1, Landon has been a broker of Maxwell AD/SAT services. The rep firm serves as the sales agent for its newspapers and for advertisers using AD/SAT's satellite delivery and reservation systems. Landon is hailing the tie-in as yet another part of its "one-stop service" for clients.

"We don't even call ourselves a rep firm anymore," says Keim. "We're a national sales and marketing company."

One characteristic these companies do maintain, emphatically, is that they're *newspaper* rep firms. "We had a radio department in the past," recalls Papert, who says other rep firms have also experimented with other media. The reps concluded that simultaneous selling of other media is a conflict of interest.

"You can't sell with two hats on," says Papert.

COMMISSIONS. Changes in the marketplace and in the rep companies' services have inevitably changed how the rep firms are compensated.

Traditionally, newspapers have paid independent reps a portion of their national advertising revenues, averaging about 10 percent. Larger papers generally could negotiate smaller percentages by pointing to the greater volume of national business they attracted.

Newspaper-owned reps are handled differently. Newspapers First, for example, gets a percentage of its client-owners' total revenues. That means, says Anthony, "we don't have to turn the meter on" and charge fees when it seeks advertising other than national.

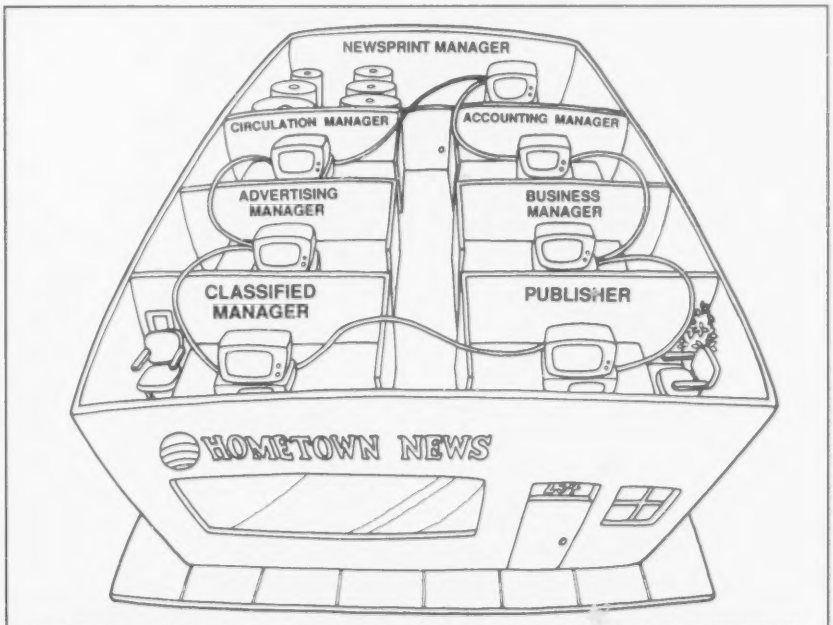
Given the independent representatives' increasing involvement in generating all kinds of business, many are now asking that their compensation be based on the broader array of services.

Seraita says Branham contracts with some clients for a percentage of total display-advertising revenue. This approach has encountered resistance among the independent reps' clients. "Most newspapers won't let them get their hands in their display pockets," comments St. Petersburg's Corey, adding that in his opinion the rep firms "don't do that much to" earn extra compensation.

Corey and other newspaper ad executives, as well as the rep firms themselves, agree the most likely evolution of rep firms' compensation is a fees-plus-incentives approach. Under that setup, the reps would be paid fixed amounts for certain services and for representation across a range of advertising. Bonuses would be paid for exceeding certain sales levels.

This makes sense, says Stephen W. Bernard, advertising director of the Dayton (Ohio) Daily News, inasmuch as "newspapers are customizing rate packages to their own customers."

Indeed, Bernard says, "Rep firms and newspapers are changing in concert." □



THE NEWSPAPER MANAGER™

Software systems for better management

Circulation • Advertising • Accounting • Inventory

MSSI

MICRO SYSTEMS SPECIALISTS, INC. *Box 347, Millbrook, NY• 12545 • 914-677-6150*